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# U.S. Report Expects Soviet to Sell More Arms

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WASHINGTON, March 29 — A United States intelligence report issued today says that the Soviet Union may try to make up for declining revenue from oil exports by increasing its arms sales abroad.

The report, prepared jointly by the Central Intelligence Agency and the Defense Intelligence Agency, said the drop in oil exports to the Western countries last year meant that Moscow had billions of dollars less in hard currency available to buy grain and advanced technology.

According to the report, the Soviet Union will probably respond by increased arms sales. But this strategy could founder because the main arms buyers — the Arab oil-producing countries — face similar economic difficulties brought on by the decline of the world oil price.

Last year, the Soviet Union made up the shortage in hard currency earnings, estimated at $3.5 billion, by more borrowing, by putting off some purchases and by selling more gold, according to the intelligence report.

If arms sales fail to make up the shortage this year, the Soviet Union is expected to scale back imports of high technology rather than resort to more borrowing, the report said. This would affect sales opportunities for Western companies in the Soviet Union under the new five-year plan, 1986-90.

The intelligence report, titled "The Soviet Union Under a New Leader," was made public the Joint Economic Committee of Congress.

It said that the Soviet Union's overall foreign trade fell by 5 percent in 1985, the first such reduction since the 1950's. Exports to the West, mainly oil, dropped by 20 percent.

The two intelligence agencies that prepared the report have differed in the past over Soviet abilities, with the defense agency, for example, estimating Soviet arms expenditures at a higher rate of increase than the C.I.A.

According to the report, the two agencies concur that weapons procurement from 1975 to 1981 grew at 1 percent a year, compared with 4 percent annually in the previous decade.

But on the more recent 1982-84 period, the agencies still disagree. The C.I.A. contends that procurement has remained "essentially flat" while the defense agency sees a growth rate of 3 to 4 percent a year.

In addition, military spending is said to grow faster than the Soviet economy as a whole, so that the percentage rose from 12 to 14 percent of G.N.P. in the 1970's to 15 to 17 percent in the early 1980's.

Since the two military establishments are generally assumed to be more or less similar in size and the Soviet economy is estimated to be roughly half of the United States economy, the Soviet share of G.N.P. spent on the military is about twice the American share, with a correspondingly smaller residual left for the Soviet civilian economy.

The report suggests that past Soviet heavy military investment may now give Mikhail S. Gorbachev some breathing room to pursue his plans for revitalizing the civilian sector.

But the report says that over the long run, Mr. Gorbachev's plans for economic growth could bring him into conflict with the military. Thus far, the analysts said, the military seems to be a supporter of modernization because it will speed the development of the technology needed for more effective weapons.

The report notes that Mr. Gorbachev's long term plan calls for G.N.P. to grow by 5 percent a year from 1991 to 2000, a rate that has not been achieved in more than a decade. In 1985, the analysts said, Mr. Gorbachev's efforts achieved some success, with the economy rebounding from a slow start.

Marshall Goldman, associate director of the Russian Research Center at Harvard University, said the economic figures from the first two months of 1986 confirmed that Mr. Gorbachev was having a significant effect on what had been a stagnant economy.

Mr. Goldman said that in January and February, steel production rose by 11 percent and coal production by 6 percent over the first two months of 1985.